

# **CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE**

## **Minutes**

**August 17, 2010**

### **Call to Order and Roll Call**

The Capital Projects and Bond Oversight Committee met on Tuesday, August 17, 2010, at 1:00 p.m., in Room 169 of the Capitol Annex. Representative Susan Westrom, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Bob Leeper, Co-Chair; Representative Susan Westrom, Co-Chair; Senators Julian M. Carroll and Elizabeth Tori; Representatives Steven Rudy and Jim Wayne.

Guests: Larry Owsley, University of Louisville; Larry Blake, Northern Kentucky University; John Hicks, Governor's Office of Policy and Management; John Nicholson, Kentucky Horse Park; Charles Bush, Division of Real Property; Sherron Jackson, Council on Postsecondary Education; Sandy Williams, Kentucky Infrastructure Authority; and Robin Brewer, Office of Financial Management.

LRC Staff: Kristi Culpepper, Don Mullis, and Samantha Gange.

### **Approval of Minutes for July 2010**

Representative Rudy made a motion to approve the minutes of the July 20, 2010 meeting. The motion was seconded by Senator Leeper and approved by voice vote.

### **Correspondence Items**

Representative Westrom asked Kristi Culpepper, Staff Administrator, to discuss correspondence items. Ms. Culpepper said members' folders contained two correspondence items: the first item was correspondence from Tom Howard, Executive Director, Office of Financial Management (OFM), regarding questions raised by Committee members at the July 2010 meeting. Members had requested that OFM provide additional information regarding the other states that have restructured their debt for the purpose of providing budgetary relief.

The second item of correspondence was a report of a plan from the Division of Engineering and Contract Administration to use the Design-Build project delivery method for the Department of Military Affairs, Wendell H. Ford Regional Training Center in Muhlenberg County.

### **Information Items**

Ms. Culpepper said members' folders also contained the staff and bond market updates.

### **Scope Increase for the University of Louisville**

Representative Westrom asked Larry Owsley, Vice President for Business Affairs, University of Louisville (UL) to report a scope increase. Mr. Owsley reported a scope increase for the Expand and Renovate Dental School project. The scope increase is \$1,500,000 for a revised scope of \$45,200,000. Funding for the increase comes from restricted funds and private funds. The additional funds are needed for an upgrade to state-of-the-art equipment and technology in the building as well as new equipment that was not foreseen during the initial planning.

Representative Rudy made a motion to approve the scope increase for UL. The motion was seconded by Senator Leeper and passed unanimously by roll call vote.

### **Report of Unbudgeted Scientific Research Equipment for UL**

Next Mr. Owsley reported that UL has used available restricted and federal funds totaling \$995,276 to acquire three items of scientific research equipment. Purchases of unbudgeted equipment must be reported to the Committee. No action was required.

### **Report of New Leases for UL**

Mr. Owsley reported that UL has five new leases with annual costs in excess of \$100,000. The first new lease was for UL Human Resources for space located at 300-333 Brandeis Street. The new space will be utilized for warehouse storage. The annual cost is \$196,704 through June 30, 2011.

The second new lease was for UL Central Receiving and Central Storages for space located at Floyd and Brandeis Streets. The new space will be utilized for warehouse storage. The annual cost is \$159,252 through June 30, 2011.

The third new lease was for UL Archaeology and Physical Plant for space located at 1820 Arthur Street. The new space will be utilized for warehouse storage. The annual cost is \$111,936 through June 30, 2011.

The fourth new lease was for UL Human Resources for space located at 1901 South Floyd Street. The new space will be utilized for warehouse storage. The annual cost is \$114,156 through June 30, 2011.

The fifth new lease was for UL Family and Geriatric Medicine for space located at 1941 Bishop Lane. The space will be utilized for a medical office. The initial annual cost

is \$122,283, and the lease runs through December 31, 2018. Action is required on leases with an annual cost in excess of \$100,000.

Representative Rudy made a motion to approve the five new leases for UL. The motion was seconded by Representative Wayne and passed unanimously by roll call vote.

### **Northern Kentucky University Property Acquisition**

Representative Westrom called on Larry Blake, Assistant Vice President for Facilities, Northern Kentucky University (NKU), to report a property acquisition. Mr. Blake reported that the City of Highland Heights transferred to the university the title of a 9.3 acre parcel of land on the east side of the NKU campus on June 18, 2010. The transfer is part of a Memorandum of Agreement between NKU and the city related to the city's annexation of the core areas of campus into the city. In exchange for agreeing to the annexation, the city issued general obligation bonds to finance NKU's soccer stadium. In addition to the soccer complex, the property also includes: the city's old Civic Center, salt bins, Public Works building, Maintenance Storage building, and a single-family residential structure. No action was required.

In response to a question from Representative Wayne, Sherron Jackson, Vice President, Council on Postsecondary Education (CPE), said NKU did not need CPE approval for the property acquisition because there was authorization in the budget.

### **Scope Increase for the Kentucky Horse Park**

Representative Westrom asked John Hicks, Deputy Director, Governor's Office of Policy and Management to report a scope increase. Mr. Hicks reported a scope increase for the Kentucky Horse Park Big Barn Renovation – Visitor Center and Carriage Museum project. The scope increase is \$229,700 for a revised scope of \$1,193,700. The project is 100 percent federally funded from Transportation Enhancement grant funds. The increase was necessitated because of bids coming in greater than originally projected.

In response to a question from Senator Leeper, John Nicholson, Executive Director, Kentucky Horse Park (KHP), said most of the construction on the project will be completed in time for the 2010 World Equestrian Games.

Senator Leeper asked about the status on other construction projects for KHP and whether they would be finished in time for the games. Mr. Nicholson said most projects such as the Indoor Arena and the Outdoor Stadium have been completed. Additionally, most of the road projects have also been completed.

In response to another question from Senator Leeper, Mr. Nicholson said the energy savings project is not yet complete, however KHP hopes to have the waste-to-energy facility operating for demonstration purposes during the games.

Senator Leeper made a motion to approve the scope increase for KHP. The motion was seconded by Senator Tori and passed unanimously by roll call vote.

### **Lease Report from the Finance and Administration Cabinet**

Representative Westrom asked Charles Bush, Director, Division of Real Property, to report one lease item. Mr. Bush reported a lease modification, amortization of leasehold improvements for the Cabinet for Health and Services in Franklin County (PR-3590). The first improvement includes excavation as necessary to facilitate installation of a concrete pad, a 1200 AMP transfer switch, and all associated cable to allow for installation of an agency-owned diesel generator. The second improvement includes multiple interior changes including new soundproof wall, installation of agency owned cabinets and other equipment, and significant electrical upgrades. The cost of both modifications, \$117,142, will be amortized over the remaining lease term (through June 30, 2014). Because the lease modification is in excess of \$50,000 committee action is required.

In response to a question from Senator Tori, Mr. Bush said the lessor was not asked to assist with the cost of modifications because the improvements were not included in the initial lease agreement.

Representative Wayne made a motion to approve the lease modification. The motion was seconded by Senator Leeper and passed unanimously by roll call vote.

### **Kentucky Infrastructure Authority Fund B Loan**

Representative Westrom asked Sandy Williams, Financial Analyst, Kentucky Infrastructure Authority (KIA) to present two items. Ms. Williams said the first item was a \$500,000 Fund B loan request for the Bullitt County Sanitation District to acquire the assets of a wastewater treatment plant. The loan term is 20 years with an interest rate of three percent.

Senator Leeper made a motion to approve the Fund B loan. The motion was seconded by Representative Rudy and passed unanimously by roll call vote.

### **KIA Grants**

Ms. Williams indicated various coal and tobacco development grants authorized by the General Assembly were included in members' folders. Each project was authorized in a budget bill and no further Committee action was needed.

## **Follow-up Reports for Previously Approved Bond Issues – State Property and Buildings Commission Project No. 97 and 98 bonds**

Representative Westrom asked Robin Brewer, Financial Analyst, OFM, to present several items. Mr. Brewer said the first item was a follow-up report for the State Property and Buildings Commission Taxable Agency Fund Revenue Bonds, Project No. 97. Proceeds from this bond issue will provide permanent financing to construct a hangar at Bluegrass Station in Lexington for the Department of Military Affairs. The project was authorized by the 2010 General Assembly in HB 302. The bond issue was approved by the Committee at the March 2010 meeting.

Ms. Brewer said the second item was a follow-up report for the State Property and Buildings Commission (SPBC) Revenue and Revenue Refunding Bonds, Project No. 98. Proceeds from this bond issue will provide \$22.9 million in permanent financing for the Kentucky Human Resource Information System project authorized by the General Assembly in 2010 Special Session HB 1. The transaction will also refund outstanding SPBC and Asset/Liability Commission bonds to provide approximately \$140.7 million in budgetary relief for Fiscal Year 2011. The bond issue was approved by the Committee at the June 2010 meeting. No Committee action is needed on follow-up reports.

### **School Bond Issues**

Ms. Brewer reported 19 new bonds issues with the School Facilities Construction Commission (SFCC) debt service participation for Bell County, Bourbon County, Corbin Independent in Whitley County, Crittenden County, Danville Independent in Boyle County, Estill County, Glasgow Independent in Barren County, Greenup County, Henderson County, Kentucky Interlocal School Transpiration Association (KISTA), Laurel County, Lawrence County, Madison County, McCracken County, Metcalfe County, Ohio County, Owsley County, Powell County, and Webster County.

Senator Carroll made a motion to approve the 19 SFCC bond issues. The motion was seconded by Senator Tori and passed unanimously by roll call vote.

Representative Westrom asked Ms. Culpepper to report the new local school bond issues. Ms. Culpepper said there were 14 new school district bond issues with 100 percent local debt support for Bourbon County, Bourbon County, Calloway County, Clay County, Gallatin County, Jefferson County, Jefferson County, Jessamine County, Johnson County, McCracken County, Mercer County, Pulaski County, Scott County, and Whitley County. All disclosure information has been filed. No Committee action was needed.

With there being no further business, Representative Rudy made a motion to adjourn the meeting. The motion was seconded and the meeting adjourned at 1:30 p.m.